

DESTINATION RESORT CASINOS

***Creating Jobs,
Growing the Economy***



Deval L. Patrick, Governor

Timothy P. Murray, Lt. Governor

Daniel O'Connell, Secretary
Executive Office of Housing and Economic Development

Our Economic Development Agenda for Massachusetts



We have proposed a number of initiatives to promote a healthy and productive economy with ample opportunities to foster and maintain jobs across the range of education and skill levels of the Commonwealth's residents.

We have already established priority sectors that make sense for Massachusetts - life sciences, health care, clean and renewable energy, financial services, telecommunications, tourism, education and our creative economy. We are also actively working to expand international trade and maximize our current export potential, as evidenced by our recent foreign trade mission to China.

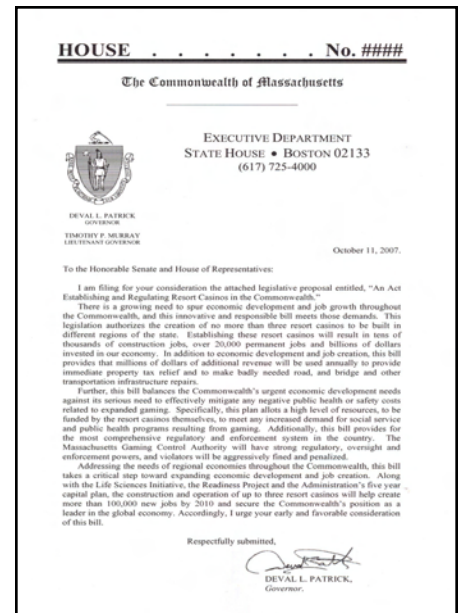
Here in Massachusetts, we have many regional economies. For us to succeed, we must ensure that there are good jobs across all sectors and across the Commonwealth.

Our destination resort casino proposal is an important piece of our broader economic development agenda to create jobs and expand state revenues - revenues which are necessary for maintaining existing state services and programs, and making new targeted investments which will improve the quality of life for the citizens of the Commonwealth.

“An Act Establishing and Regulating Resort Casinos in the Commonwealth”

Three resort casinos, placed in locations where local communities support them, will bring much-needed revenue to the Commonwealth and build upon our already strong leisure, entertainment, tourism and convention sectors.

The proposed legislation is carefully crafted to permit the newly created Massachusetts Gaming Control Authority to conduct a competitive auction process that awards licenses based on the highest and best value to the region and the Commonwealth, maximizing capital investment, job creation, long-term economic development and revenue intake.



Bill Summary

- ***Allows for the licensing of up to 3 destination resort casinos in different regions of the state:***
 - Non-refundable \$350,000 for initial review of application
 - Minimum of \$200 million per licensing fee to the Commonwealth
 - Minimum of 27% of casinos' gross revenue to the Commonwealth
 - Competitive auction process
 - Awards based on highest and best value to the region and the Commonwealth
- ***Creates the Massachusetts Gaming Control Authority:***
 - Broad regulatory authority over every aspect of casino operations, including awarding and revocation of licenses, enforcement of public safety measures, and collection of fees and assessments
- ***Provides funding for:***
 - Direct property tax relief
 - Investment in public transportation infrastructure
 - Top-in-the-nation Public Health Trust Fund
 - Community Mitigation Trust Fund
 - Holding Lottery harmless

Creating Jobs



The development of destination resort casinos is one of our many plans to promote a healthy and productive economy with ample opportunities to foster and maintain jobs across the range of education and skill levels of the Commonwealth's residents. Destination resort casinos create jobs in two ways: temporary construction work, and ongoing resort employment.

➤ ***Tens of thousands of construction jobs***

- Unlike the Big Dig, the construction of destination resort casinos will require a great deal of detail and finish work. Construction workers will be needed for framing, roofing, carpentry, electrical work, plumbing, masonry, painting, etc.
- In addition to the direct construction jobs created by the building of the resort, many more construction jobs will be created through the improvements to host and surrounding communities' infrastructure necessary to prepare the area for the casinos' development.

➤ ***20,000 full time jobs with good wages and benefits***

- According federal Bureau of Labor Statistics reports on national gaming wages, (numbers that typically understate wages in the Northeast) gaming managers earn upwards of \$65,000/year, IT staff earn \$35 - \$50,000/year, security specialists earn \$25 - \$40,000/year and first line supervisors earn approximately \$30 - \$40,000/year.
- According to a 2007 AP article about Foxwoods, gratuity based employees, such as gaming dealers, make \$45 - \$50,000/year
- Foxwoods, which opened in 1992, currently employs approximately 12,000 employees.
- Mohegan Sun, which opened in 1996, currently employs approximately 10,400 employees .

➤ ***To assure that casino developers create quality jobs for workers, applications for licenses are judged on:***

- Number of jobs to be created by casino
- Whether developer is willing to work cooperatively with workforce development system
- Whether there are opportunities for career advancement for casino workers
- Whether the developer has contracts with union labor and provisions to ensure labor harmony

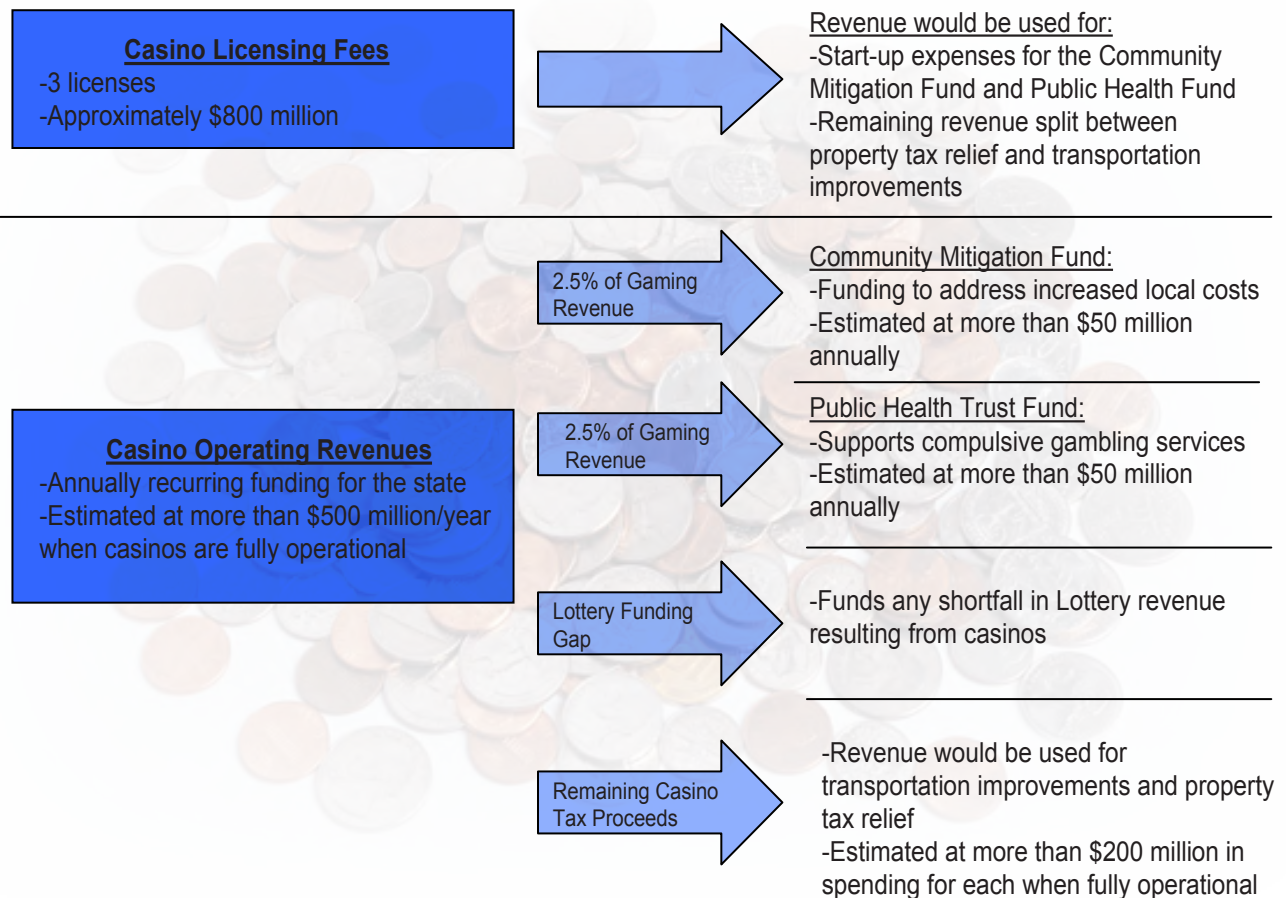
Economic Benefits & Revenue

We have reviewed numerous reports and analyses and closely studied the experiences of other states that allow casino-style gaming. Learning from those experiences and adopting best practices from other states, we have crafted a strong and balanced proposal that will foster economic growth and result in billions of dollars of private investment.

New Sources of Revenue

- The resort casino proposal will require each developer to invest **at least \$1 billion per casino**, leading to the creation of a premier destination with both gaming and non-gaming amenities.
- **Initial license fees of at least \$200 million per license** will be paid to the Commonwealth when the licenses are awarded. This means that the Commonwealth will have a substantial new source of revenue even before the casinos are operational.
- Once the casinos are operational, the Commonwealth will receive a minimum of 27% of gaming revenues.
 - We expect this to yield **at least \$400 million a year in new net revenues**, which will be split between transportation infrastructure improvements and direct property tax relief.
 - This \$400 million is after netting out anything necessary to hold the lottery harmless and to fund public health and community mitigation trusts.
 - Unlike Connecticut, we will receive payments for the entire gaming operations of a casino, not just revenue generated from slots.
- The Commonwealth will also realize **\$50 to \$80 million annually** from existing income, sales, meal and hotel taxes, and will recapture much of the money that currently leaves our state when our residents travel to Connecticut to spend their entertainment dollars.
 - It is estimated that 25% of Massachusetts adult residents make at least one trip per year to Foxwoods or Mohegan Sun.
 - In 2006 alone, Massachusetts residents spent approximately \$876.2 million at Connecticut casinos.
 - Last year, Foxwoods and Mohegan Sun contributed \$435 million to Connecticut's general treasury. Of that amount, about \$119 million came from Massachusetts residents.

Revenue Breakdown



Revenue Highlights

Property Tax Relief

The property tax burden has soared in recent years, hitting middle-and low-income working families the hardest. Once the casinos are operational, approximately one million qualified homeowners will be eligible for direct property tax relief estimated at \$200. Last year, the average property tax bill went up \$160. If this program had been in place, many Massachusetts property tax payers would have seen all or most of their increase offset by this credit. In addition, the average benefit from this credit is greater than the average benefit that would be realized by rolling back the income tax from 5.3% to 5.0%. This credit will provide real relief for those who have been hit the hardest by property tax increases.

Transportation Improvement & Maintenance Trust Fund

Our transportation infrastructure has been neglected for 16 years. Casino revenue placed into the Transportation Fund will be dedicated to rehab and maintenance projects, which will facilitate economic development and job creation.

Public Health Trust Fund

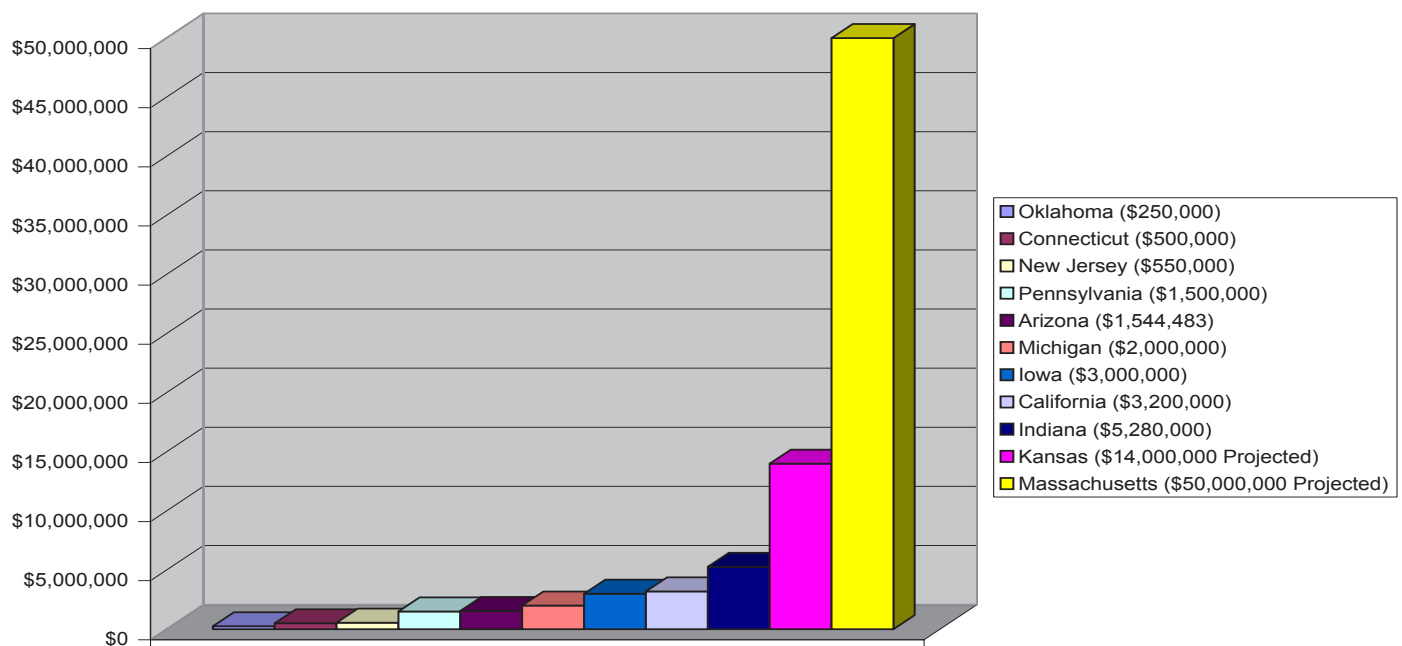
Funds from the new resort casinos will be set aside to pay for public health, public safety and community mitigation services that are required by the proposed legislation.



➤ ***A new Public Health Trust Fund will be funded in an amount equal to 2.5% of the resort casinos' gross revenue, which we project to be approximately \$50 million per year. This top-in-the-nation fund will be used to cover the costs of:***

- Prevention and treatment of gambling related problems
- Domestic violence and child welfare services
- Education and prevention campaigns

Casino Revenue by State Mandate for Problem Gambling



Community Support

A new Community Mitigation Trust Fund will be created and funded in an amount equal to 2.5% of the resort casinos' gross revenue. This fund will be used to help the host community, as well as cities and towns in the vicinity of the resort casino, to address any increases in services directly related to the construction and operation of the resort casino.

In addition, the legislation requires a one time community mitigation agreement to be included in each license application. Developers will be required to work directly with host and surrounding communities to produce an agreement that fits the needs of all affected cities and towns.

Most importantly, host communities must, via a ballot vote, approve any proposal for a casino before the Massachusetts Gaming Control Authority will even consider an application for licensure.

Community Mitigation Trust Fund

- ***The fund will receive 2.5% of gross gaming revenue to pay for costs directly related to the resort casino in both the host community and affected cities and towns.***
 - All new infrastructure costs related to the development of the casino will be paid exclusively by casinos.
 - The fund will cover costs related to any necessary increases in police, fire, transportation, water and sewer services.
 - Enhanced regional transportation systems that are developed through the Fund will generate additional economic development opportunities for the host and surrounding communities.
 - The fund will also cover any additional costs associated with services provided by local district attorneys' offices.

Local Benefits

Resort-style casinos will expand the overall economies of their host communities and benefit existing businesses. As evidenced throughout the country, gaming, like any other industry, can carve its own niche in the competitive market without endangering the ability of local businesses to grow and survive.

It is estimated that 25% of Massachusetts adults make at least one trip per year to either Foxwoods or Mohegan Sun. If those people stayed in-state and went to Massachusetts casinos, they would patronize local businesses in the host and surrounding communities. In addition, out of state visitors attracted to Massachusetts because of casinos would provide new business to local establishments.

The Facts

- According to a 2007 study on the economic impact of gaming in Connecticut, Foxwoods and Mohegan Sun spent a combined \$696 million in purchases from other Connecticut companies in 2006 (\$158 million by Foxwoods and \$538 million by Mohegan Sun).
- 90% of southeastern Connecticut business managers report stable or increased sales since Foxwoods opened. Here, businesses reporting sales increases outnumbered those reporting decreases by a margin of more than four to one.
- For Mohegan Sun, approximately 70% of all goods and services are purchased from Connecticut firms helping more than 1,500 Connecticut businesses grow in 158 of Connecticut's 169 towns.
- According to a 1997 report by University of New Orleans researchers, the development of casinos increases all aspects of the local food and beverage business, including the number of establishments, the number of people employed, and the payroll.
- According to food industry representatives in Mississippi's Gulf Coast, casinos have lead to increased tourism and growth in residents. In turn, new franchise restaurants have been able to open and local favorites have remained busy.

Regulation, Enforcement & Public Safety



Resort casinos in Massachusetts will be subject to one of the most comprehensive regulatory and enforcement schemes in the country. A well thought out policing and security plan will allow the Commonwealth to enjoy the economic benefits of resort casinos while maintaining a high quality of life for its citizens.

The Facts

➤ *The Bill includes the following safeguards:*

- New independent division within the Office of the Attorney General will enforce regulations and laws developed to regulate the activities of casinos
- A special unit of State Police will be created and housed within each casino to police each casino
- Enforcement activities will be funded entirely through an assessment on resort casinos

➤ *In awarding licenses, the Gaming Authority will take into account:*

- the extent to which the applicant mitigates public safety effects; and
- the positive and negative effects the casino facility will have on host communities - including road and traffic, fire, police and other public safety coverage, and emergency access

The Importance of Acting Now

The Mashpee Wampanoag Tribe has submitted a land-in-trust application to the Bureau of Indian Affairs ("BIA") to place land in Middleborough in trust for the purposes of operating a tribal casino; and, Mashpee to build Tribal housing.

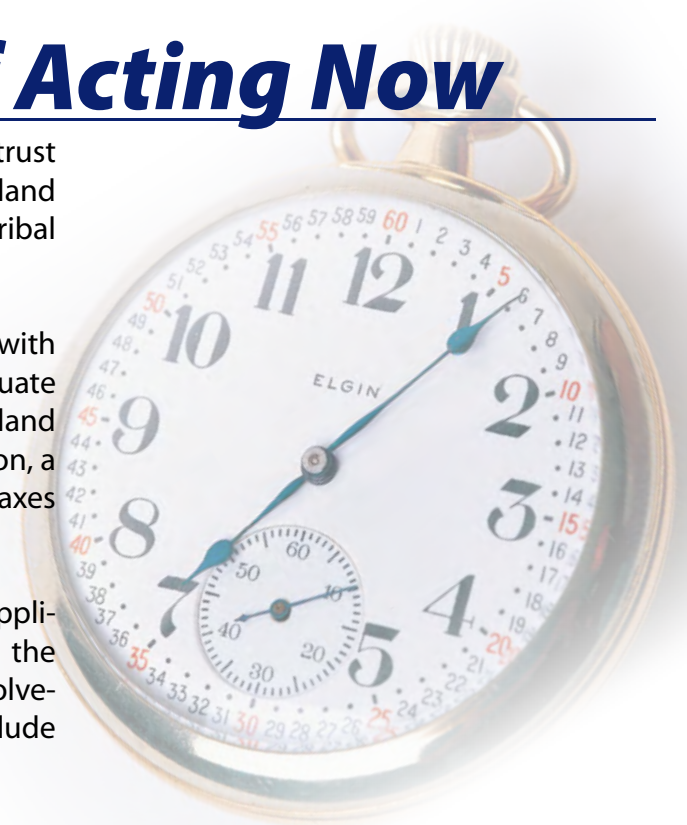
Unfortunately, a tribal casino authorized in conjunction with the land-in-trust process does not guarantee adequate safeguards for the Commonwealth's residents and land because state law may not apply on tribal land. In addition, a tribal casino would potentially deprive us of both existing taxes and strict oversight of activities at the casino.

Furthermore, if the BIA approves the Tribe's land-in-trust application, the Tribe may engage in Class II gaming on the Middleborough lands without an agreement with or involvement from the Commonwealth. Class II gaming may include bingo style slot machines.

The tribe may engage in Class III gaming on the Middleborough lands if:

- the Tribe and the Commonwealth enter into a compact authorizing Class III gaming; or
- the BIA approves Class III gaming in the event that the Tribe and the Commonwealth are unable to come to an agreement on a compact. In deciding whether to grant the Tribe the ability to conduct Class III gaming at the tribal casino, the BIA would likely take into account the fact that the Commonwealth already allows some forms of Class III gaming, whether in the form of horse and dog racing or so called "Las Vegas Nights."

This makes full and expedited consideration of the commercial resort casino initiative imperative. We cannot afford to let the opportunity of fully licensed and regulated commercial casinos pass us by. Inaction will be costly.



Wampanoag's Land-In-Trust Application

- Our opposition is consistent with our proposal to license up to three commercial resort casinos in Massachusetts.
- In contrast to the application submitted by the Tribe, our legislation requires that casinos be accompanied by aggressive financial requirements and regulatory structures.
- In contrast to the application submitted by the Tribe, our legislation guarantees that developers address important considerations such as local mitigation, environmental protection, transportation, public health, labor issues, and public safety.
- We anticipate that the Tribe would be one of the many groups to submit a proposal for a commercial resort casino license under our bill.